

ADMINISTRATION AND FINANCE COMMITTEE

DATE: February 23, 2010

CALLED TO ORDER: 5:30 p.m.

ADJOURNED: 6:24 p.m.

ATTENDANCE

ATTENDING MEMBERS

Marilyn Pfisterer
Bob Cockrum
Susie Day
Maggie Lewis
Barbara Malone
Jackie Nytes
Joanne Sanders

ABSENT MEMBERS

AGENDA

PROPOSAL NO. 432, 2009 - amends the employee residence requirements related to employment of persons possessing specialized skills and training for which there are no qualified or employable applicants who are also Marion County residents
"Strike" Vote: 7-0

PROPOSAL NO. 62, 2010 - authorizes the execution of guaranteed energy savings contracts with three qualified providers for the implementation of recommended conservation measures
"Postpone" until 3-23-10 Vote: 4-0

ADMINISTRATION AND FINANCE COMMITTEE

The Administration and Finance Committee of the City-County Council met on Tuesday, February 23, 2010. Chairwoman Marilyn Pfisterer called the meeting to order at 5:30 p.m. with the following members present: Bob Cockrum, Susie Day, Maggie Lewis, Barbara Malone, Jackie Nytes, and Joanne Sanders. Robert Elrod, General Counsel, was also present.

PROPOSAL NO. 432, 2009 - amends the employee residence requirements related to employment of persons possessing specialized skills and training for which there are no qualified or employable applicants who are also Marion County residents

Chairwoman Pfisterer said that Councillor Dane Mahern is the sponsor of this proposal and he asked to strike this proposal because there are still some issues to be resolved.

Councillor Malone moved, seconded by Councillor Lewis, to "Strike" Proposal No. 432, 2009. The motion carried by a vote of 7-0.

PROPOSAL NO. 62, 2010 - authorizes the execution of guaranteed energy savings contracts with three qualified providers for the implementation of recommended conservation measures

Karen Haley, Director of the Office of Sustainability, said that she will speak about the concept of a guaranteed energy savings contract. She said that their goals are to increase energy efficiency in city buildings and operations. Based on data in 2005, about 40 percent of the city's utility bills went to pay for energy consumption in buildings. She said they saw this as a good opportunity to decrease energy consumption and to reduce the amount of energy that is used by the buildings. She said that the city is eligible to receive \$8 million in Energy Efficiency and Conservation Block Grant funds, and those funds can be used for anything related to energy efficiency and conservation. She said they went through a public process to make sure that people were aware that Indianapolis is eligible for this funding.

Ms. Haley gave a presentation on the City Building Energy Retrofit Project. Some key points are:

- The Energy Efficiency and Conservation Block Grant funds will be used for LED traffic conversion, renewable energy at two Indy Park's buildings, and the building retrofit project.
- The Guaranteed Energy Savings Contract is managed by State Statute, which allows the guaranteed savings to cover project costs and financing for up to 20 years.
- The conservative approach to the Guaranteed Energy Savings Contract is financing for a maximum of 15 years (Statute allows for 20-year financing.)
- The concept of the Guaranteed Energy Saving Contract is that the energy savings is guaranteed by the companies that do the audit.

- The total project cost will not be more than the guarantees provided by the Energy Service Company (ESCO)
- There was a very extensive process to choose the 71 city properties that would benefit from the Guaranteed Energy Savings Contract, and all 71 properties were divided up between the three Energy Systems Group (ESG's).
- The proposed improvements include lighting, new heating ventilation and air conditioning (HVAC) equipments and tune ups, and renewable energy applications.
- The proposed improvements total \$20 million with a guaranteed energy savings of \$1.7 million per year, which would reduce the energy consumption by 25 percent for the entire portfolio.
- The utility budgets and actual utility spend have increased 53 percent from 2000 to 2009

Councillor Sanders asked what companies are headquartered in Indianapolis. Ms. Haley said that Performance Services is headquartered in Indianapolis, Energy Systems Group has one of their main offices in Indianapolis, and Johnson Controls is a national company that has an office in Marion County.

[Clerks note: Councillor Lewis left at 5:50 pm.]

Councillor Cockrum referring to the Department of Parks and Recreation (DPR) asked if the water bills were included in this contract. Ms. Haley answered in the affirmative.

Chairwoman Pfisterer asked what renewable energy is. Ms. Haley said that geo-thermal wells are very prevalent in Indianapolis, and there are some buildings that ESCO has identified as good candidates to have geo-thermal systems in place to help heat and cool the buildings.

John Hazlett, Project Manager, said that for a few of the pools in DPR, they are looking at a solar application where the electricity that is being used to heat the pool would come through solar energy rather than typical utility sources.

Councillor Nytes asked if ESG has worked with the board of the City Market about their lighting issues. Mr. Hazlett said that the City Market Board has had several meetings with ESG and they were really focused on the future use of that building, and there are still some things yet to be determined. The other focus was on the main hall of the City Market.

Councillor Malone asked if there were any plans of the Catacombs underneath the City Market. Ms. Haley said that the Catacombs are outside of the scope of this project.

[Clerks note: Councillor Malone left at 6:01 pm.]

Councillor Cockrum asked if the newly consolidated fire stations are a part of the Guaranteed Energy Savings Contract. Ms. Haley said that the buildings that were involved in this project were buildings that were going to be used long-term.

Ms. Haley said that if nothing is done the energy costs, based on the utility growth, will increase five percent each year. If the Guaranteed Energy Savings Contract is implemented, the total project cost savings over a 20-year period will be \$34 million and the guaranteed savings is \$25.5 million over the next 15 years.

Chairwoman Pfisterer asked when the retrofit process will begin. Ms. Haley said they will begin the process as soon as the Council approves the authority to enter into these contracts. Mr. Hazlett said that the construction will be estimated at six to twelve months for all of the projects. He said the sooner the process is complete, the sooner the City will begin to realize the savings.

Councillor Sanders asked who will do the construction. Ms. Haley said that the three companies will sub-contract the construction work out. She said that in the agreement, there is an open book pricing agreement with ESCO. Councillor Sanders asked if there is any language in the contract that would ensure that the construction work would be done by a company in Marion County. Mr. Hazlett said that they have asked for the sub-contractors to meet the City's MBE/WBE requirements. He said that they have the ability to look at sub-bids and help with that selection process. Ms. Haley said there is not language in the contract that would require that the contract jobs are for Marion County only. She said that they will review the section where that language would fit. Councillor Sanders asked if there would be any city workers that would be doing some of the retro-fitting. Ms. Haley said that some of the building authority employees will be doing some of the work along side of the contractors that are hired. Councillor Sanders asked if there will be a representative on-site to do continuous maintenance once the work is complete. Ms. Haley said that there is an energy manager who will be in charge of making sure that the work is done correctly, and he has a contract funded by the Energy Efficiency and Conservation Block Grant funds.

Councillor Cockrum asked if the city will pay for this project up front. Ms. Haley said that the City will take out a loan that will not count as constitutional debt, because it is guaranteed by the savings of these projects. This loan will be augmented by the Energy Efficiency and Conservation Block Grant funds, and then the City will start making annual payments after the first year of the completed project. She said that once that final payment after year 15 is paid; there will not be any more payments. Mr. Hazlett said that the annual payment that the City will make is equal to the guaranteed savings of ESCO.

Councillor Nytes asked if the Indianapolis Bond Bank is involved with seeking the lower interest rate. Ms. Haley answered in the affirmative. Councillor Nytes asked if this kind of borrowing is referred to as the Obama Bonds. Jason Dudich, Deputy Controller, said that there has been some reference to the Build America Bond, which is very similar to

this type of borrowing. Councillor Nytes asked if there would be some type of reporting follow-up on this project. Mr. Hazlett answered in the affirmative.

[Clerks note: Councillor Nytes left at 6:20 pm.]

Councillor Sanders asked if the \$1.7 million that will be needed in order to establish these contracts will come from the budgets of the agencies that it will benefit. Mr. Dudich said that they are expecting the savings and the debt payment to be about \$1.7 million, so this money has already been budgeted for. Councillor Sanders, referring to the \$1.7 million, asked if this is the startup cost for this project. Mr. Dudich said that there will be some savings in their 2009 budget that will be applied to the \$1.7 million, and each agency will fill that allocation? Councillor Sanders asked if there are other cities that have similar projects. Mr. Hazlett said that Bloomington, and Fort Wayne, Indiana both have done the same types of projects.

Ms. Haley said that they will send the committee copies of the master agreement and the audit documents for the committee members to review.

Councillor Day moved, seconded by Councillor Cockrum, to "Postpone" Proposal No. 62, 2010 until March 23, 2010. The motion carried by a vote of 4-0.

There being no further business, and upon motion duly made, the meeting was adjourned at 6:24 p.m.

Respectfully Submitted,

Marilyn Pfisterer, Chairwoman

MP/rjp

City Building Energy Retrofit Project

February 2010

Office of Sustainability - Overview

- Goal: Increase energy efficiency in city buildings and operations
 - In 2005, buildings accounted for 40% of city utility bills

Energy Efficiency and Conservation Block Grant

- LED traffic signal conversion
- Renewable energy at 2 IndyParks buildings
- Building retrofit project

Guaranteed Energy Savings Contracts- Statute Background

**IC36-1-12.5 “Guaranteed Energy Savings”
Statute**

- Allows the guaranteed savings to cover project costs and financing for up to 20 years
- Used by other Indiana municipalities
- Per Statute, highest elected body must approve audit reports for proposed project

Project Approach

- We are taking a conservative approach
 - Financing for a maximum of 15 years (statute allows for 20)
 - Total project cost will not be more than the guarantees provided by the ESCOs
 - Installment payment contract: annual or biannual payment and 4.5% interest

Project Overview

- Implement projects allowed by IC36-1-12.5 to save energy in up to 71 City properties
 - Building Authority portfolio (15)
 - Indianapolis Fire Department Stations (39)
 - Department of Public Works facilities (4)
 - City Market (1)
 - Parks Department facilities (12)

2008 – utility bills for selected buildings = \$5.3M

Project Overview

- Proposed improvements total \$20 million to include:
 - Lighting
 - New HVAC equipment and tune ups
 - Centralized control systems
 - Building envelope improvements (weatherization, new roof)
 - Renewable energy applications

Project Benefits

- Proposed improvements total \$20 million
- Guaranteed energy savings of \$1.7 million per year
- Proposed improvements would reduce energy consumption by 25% over entire portfolio

Portfolio Breakdown-Energy Use Reduction:

Building Authority: ↓ 45%

Parks: ↓ 20%

DPW: ↓ 15%

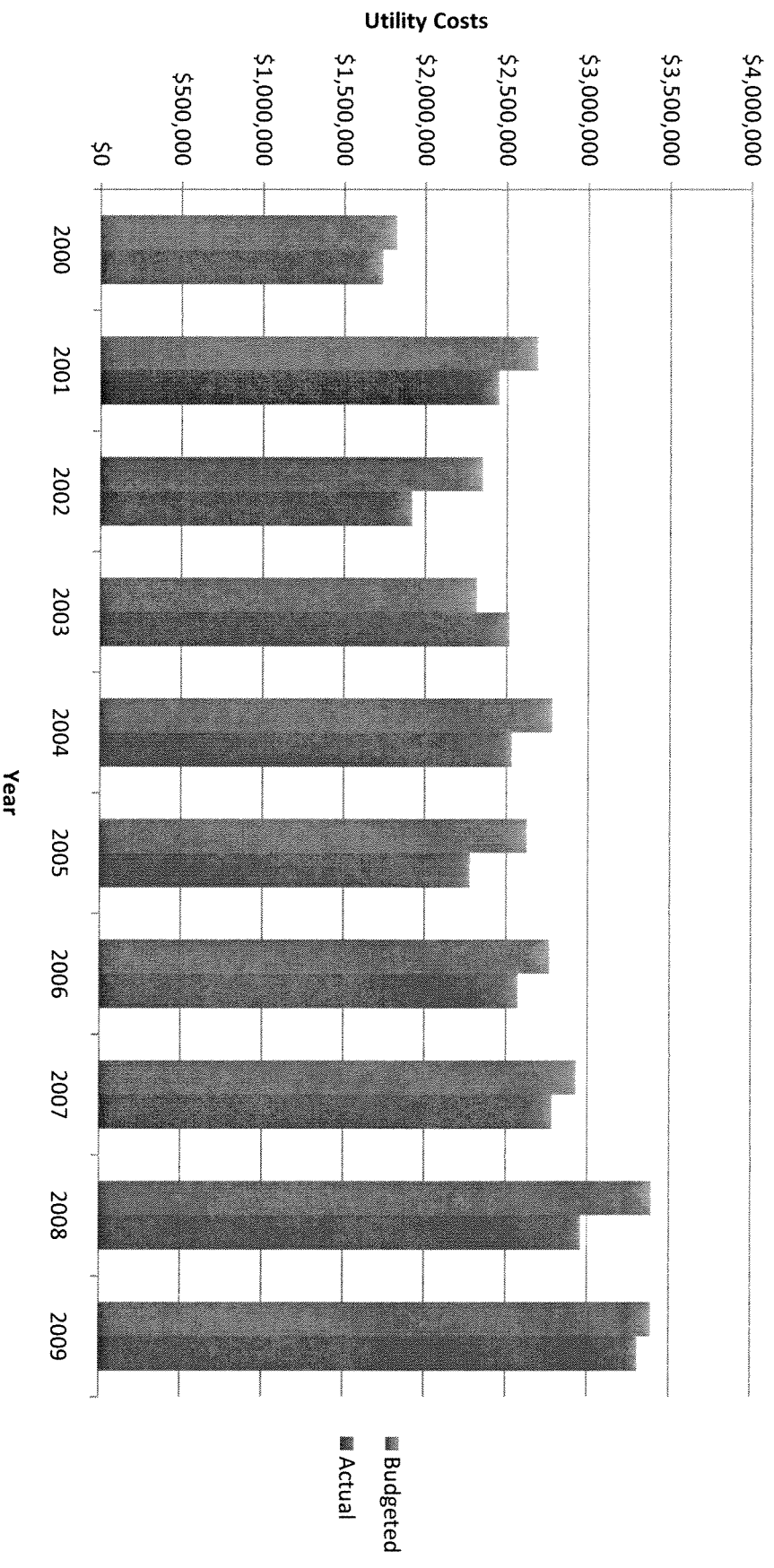
City Market: ↓ 12%

Fire Stations: ↓ 32%

=25 % reduction in energy use

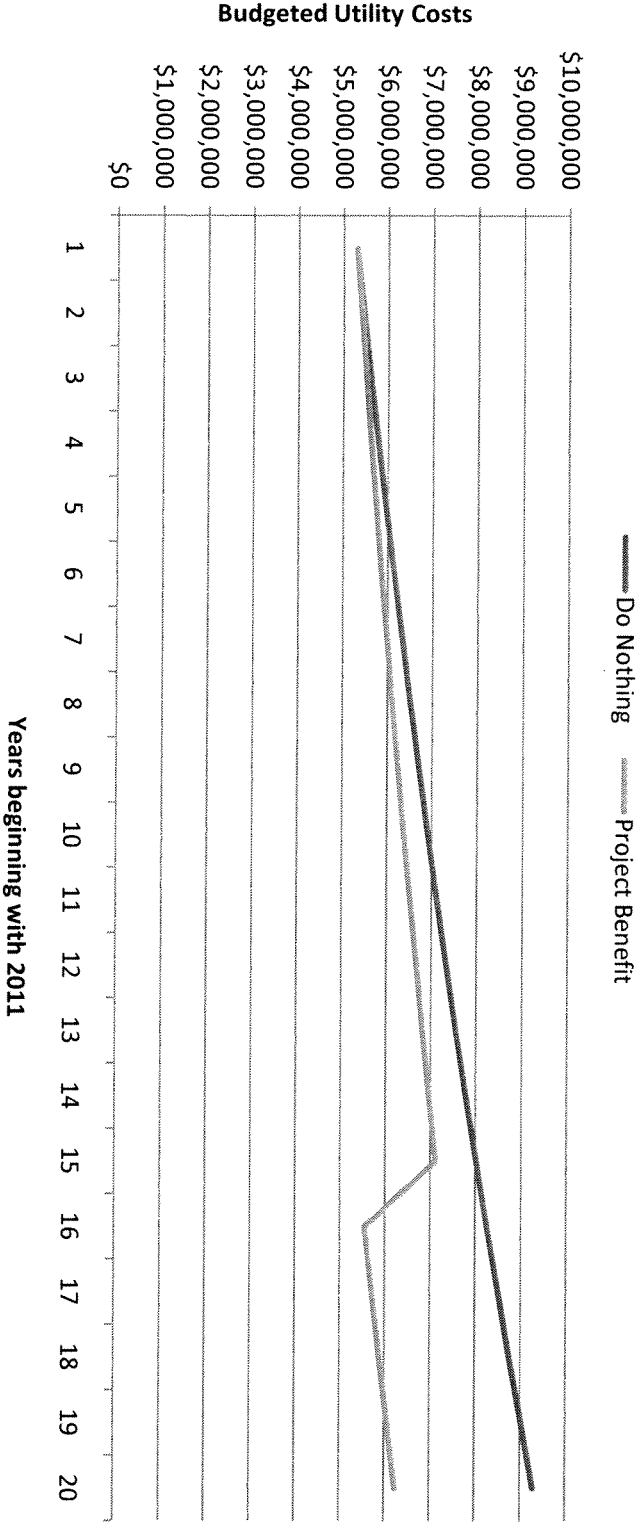
- Increased comfort for building users

Historical Utility Costs-IFD/DPW/DPR



Utility budgets and actual utility spend have increased
53% from 2000-2009

Energy costs with 5% annual inflation-Targeted Facilities



Red Line – Status quo based on utility growth at 5% per year

Green Line –Implement project based on utility growth at 5% per year

Status quo:

Utility Costs
\$184,012,035 over a 20 year period

Implement project:

\$149,739,975 over a 20 year period
(Based on the 15 year term agreements)

Project cost savings

=\$34,272,060